

**KINGSLEY-PIERSON COMMUNITY
SCHOOL DISTRICT**

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008

**KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008
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KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2008

**Board of Education
(Before September 2007 Election)**

		Term Expires
Tim Sudbeck	President	2007
Scott Bohle	Vice President	2007
Cindy Powell Inman	Board Member	2008
Shari Seuntjens	Board Member	2009
Clayton Powell	Board Member	2009

**Board of Education
(After September 2007 Election)**

Tim Sudbeck	President	2010
Scott Bohle	Vice President	2010
Cindy Powell Inman	Board Member	2008
Shari Seuntjens	Board Member	2009
Clayton Powell	Board Member	2009

School Officials

Scott Bailey	Superintendent	2008
Audrey Bollin	Secretary-Treasurer	2008
James Hanks	Attorney	2008



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Kingsley-Pierson Community School District
Kingsley, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Kingsley-Pierson Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kingsley-Pierson Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Kingsley-Pierson Community School District as of June 30, 2008 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the Kingsley-Pierson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and page 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingsley-Pierson Community School District's basic financial statements. The financial statements for the three years ended June 30, 2007 were audited by us (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and had unqualified opinions expressed on them. The supplemental information, included in Schedules 1 through

5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Sioux City, Iowa
October 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kingsley-Pierson Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,136,629 in fiscal 2007 to \$4,280,281 in fiscal 2008, while General Fund expenditures increased from \$3,927,961 in fiscal 2007 to \$4,305,517 in fiscal 2008. The District's General Fund balance decreased from \$382,431 in fiscal 2007 to \$357,195 in fiscal 2008, a 7% decrease.
- State foundation aid revenue increased by 7% due to a slight increase in budget enrollment and a 4% increase in allowable growth. Allowable growth is the percentage increase in the per-student rate paid to schools based on prior years' enrollment.
- Total state revenues increased by 10%, while federal revenues decreased by 5%. At the local level, revenues declined by 1% due to a 3% decrease in property tax collected. The increase in state revenues was mostly due to increases in teacher quality funds. This money increases teacher pay, but does not help the condition of the general fund because the district has to use the money for additional teacher pay and professional development not already budgeted.
- The increase in total General Fund expenditures was 10% more than fiscal 2007. On a functional level, instruction increased by 9%, while expenses in support services increased by 12%. Increases in instruction were largely due to increases in teacher pay through negotiations and also through teacher quality legislation. The district also increased instructional expenses by starting a new reading program. An additional teacher was trained in Reading Recovery in order to allow more individual help with struggling readers at early ages. Special education expenses increased due to more students needing services under an Individual Education Plan. An aide was hired to help in that area. Vocational education expenses decreased due to the retirement of a long-term teacher and the hiring of someone with less experience. Support services continues to be an area where expenses go beyond the budget. Technology expenses increased due to an increase in computer repairs and copier lease payments. General administration costs increased due to a change back to three full-time administrators. Part of the superintendent's salary for previous years was allocated to building administration for principal duties. Travel expenses were higher due to the superintendent's attendance at a national convention for administrators. Also, the superintendent's secretary retired and her early retirement payout had to come out of the General Fund due to restrictions in these payments from the management fund. Building administration costs increased by 13% due to an increase in principal time and a retirement payout for a retiring secretary. Transportation costs increased by 17% due to fuel costs and increased repairs.

- Interest earned in the General Fund decreased by 58%. The decrease was due to not participating in the ISCAP borrowing program. Although interest revenue decreased the district also had very minimal interest expense. General Fund cash balances decreased by 2% throughout the year contributing to lower interest earnings. The district will be participating in ISCAP for 2008-2009. Warrants were issued at the end of June 2008.
- The district's non-major special revenue funds include the Management Fund and the Activity Fund. The management fund balance decreased by 22% due to the payout of early retirement benefits to 4 individuals. The management property tax levy was decreased by 25% for fiscal 2008 in order to gradually decrease the management levy. The board of education made changes to the early retirement program in fiscal 2007 in order to control costs. Benefits were reduced and the program will be eliminated after fiscal 2009. Activity Fund balances decreased by 4% from fiscal 2007.
- The Capital Projects Fund balance increased by 21% and the PPEL Fund balance increased by 13% over fiscal 2007. Several projects had not yet begun at the end of June, but will be completed by winter. Payments for these projects will require use of the increased fund balances. The Debt Service Fund balance increased by 21% over fiscal 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Kingsley-Pierson Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Kingsley-Pierson Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Comparison of Taxes and Intergovernmental Revenues and Receipts, provides a summary of how funding at different levels has changed over the most recent four year period.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's

property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund, through which the District administers and accounts for the District employee flexible spending plan.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-2 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-2
Condensed Statement of Net Assets
(Expressed in Thousands of Dollars)

	Governmental Activities		Business type Activities		Total District		Total % Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 3,722	\$ 3,291	\$ 26	\$ 45	\$ 3,748	\$ 3,336	12.4%
Capital assets	5,775	5,897	19	22	5,794	5,919	-2.2%
Total assets	9,497	9,188	45	67	9,542	9,255	3.1%
Long-term liabilities	3,325	3,571	-	-	3,325	3,571	-6.9%
Other liabilities	2,818	2,422	-	-	2,818	2,422	16.4%
Total liabilities	6,143	5,993	-	-	6,143	5,993	2.5%
Net assets							
Invested in capital assets net of related debt	2,450	2,326	19	22	2,469	2,348	5.2%
Restricted	275	265			275	265	3.8%
Unrestricted	629	604	26	45	655	649	0.9%
Total net assets	\$ 3,354	\$ 3,195	\$ 45	\$ 67	\$ 3,399	\$ 3,262	4.2%

Total net assets increased by 4.2% compared to fiscal 2007. Total assets increased by 3.1%, while liabilities increased by 2.5%. Capital assets decreased by 2.2%, while invested in capital assets net of related debt increased by 5.2%. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-3 shows the change in net assets for the year ended June 30, 2008.

Figure A-3
Changes in Net Assets
(Expressed in Thousands of Dollars)

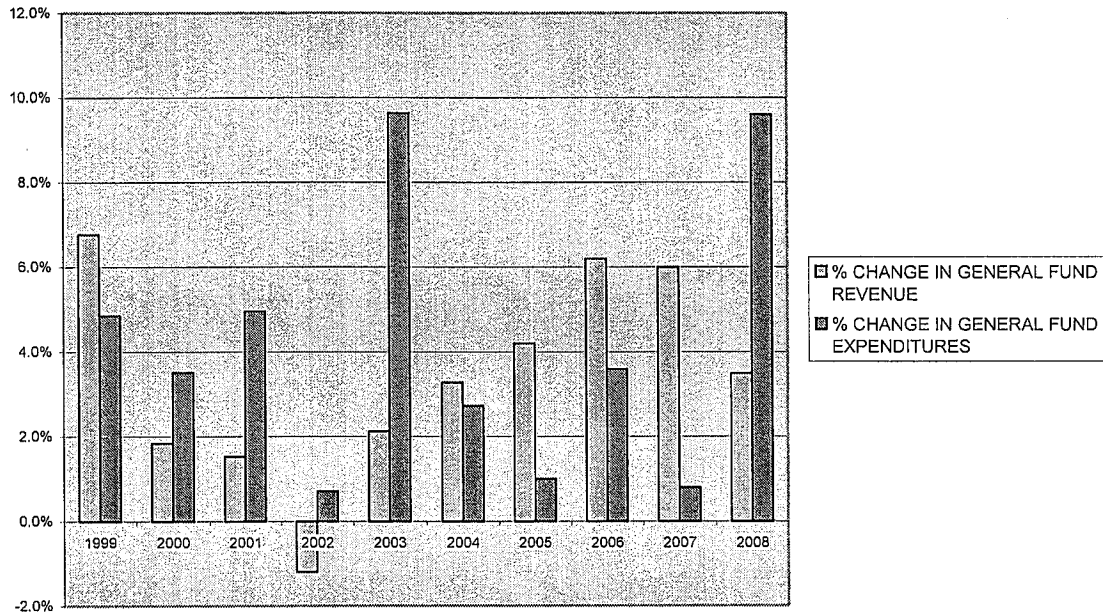
	Governmental Activities		Business type Activities		Total District		Total % Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues							
Program Revenues							
Charges for Services	\$ 423	\$ 423	\$ 118	\$ 126	\$ 541	\$ 549	-1.5%
Operating Grants and Contributions	632	548	79	87	711	635	12.0%
General Revenues							
Property Tax	1,890	1,892			1,890	1,892	-0.1%
Other Taxes	353	359			353	359	-1.7%
Interest on Investments	35	59	1	1	36	60	-40.0%
State Aid not Restricted to Specific Programs	1,789	1,676			1,789	1,676	6.7%
Miscellaneous	50	41			50	41	22.0%
Total Revenues	5,172	4,998	198	214	5,370	5,212	3.0%
Program Expenses							
Instruction	3,119	2,846			3,119	2,846	9.6%
Support Services	1,556	1,453			1,556	1,453	7.1%
Non-Instructional Programs			220	210	220	210	4.8%
Other Expenses	338	349			338	349	-3.2%
Total Expenses	5,013	4,648	220	210	5,233	4,858	7.7%
Change in Net Assets	\$ 159	\$ 350	\$ (22)	\$ 4	\$ 137	\$ 354	-61.3%

Property tax and unrestricted state grants account for 71% of the total governmental activities revenue, equal to fiscal 2007. The District's expenses primarily relate to instruction and support services, which account for 93% of the total governmental activities expense. This is a 1% increase from fiscal 2007.

Governmental Activities

Revenues for governmental activities were \$5,172,094 and expenses were \$5,013,338. Governmental activities net assets increased by \$158,756 compared to an increase of \$350,472 in fiscal 2007. The percentage increase in General Fund revenues was 3.5%, while the percentage increase in General Fund expenses was 9.6% (see Figure A-4).

Figure A-4



The following table (A-5) presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands of Dollars)

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007	Total % Change in Net Costs
Instruction	\$ 3,119	\$ 2,270	\$ 2,846	\$ 2,082	9.0%
Support Services	1,556	1,510	1,453	1,396	8.2%
Other Expenses	338	178	349	199	-10.6%
Total Expenses	\$ 5,013	\$ 3,958	\$ 4,648	\$ 3,677	7.6%

- The cost financed by users of the District's programs was \$423,370. Federal and state governments subsidized certain programs with grants and contributions totaling \$631,659. The total cost of services increased by 7.9%, and the net cost of services increased by 7.6% over fiscal 2007.
- The net cost of governmental activities was financed with \$2,243,251 in property and other taxes, down 0.3% from fiscal 2007 and \$1,788,618 in unrestricted state grants, up 6.8% from fiscal 2007. The remaining \$85,196 in revenue came from interest, contributions, sales of equipment and other miscellaneous local sources, down 14.9% from fiscal 2007.

Business Type Activities

Revenues for business type activities were \$198,424 and expenses were \$220,549. The District's business type activities include the School Nutrition Fund.

Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Net assets for business type activities decreased by 33.1% over fiscal 2007.

INDIVIDUAL FUND ANALYSIS

As previously noted, Kingsley-Pierson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$913,115, compared to last year's ending fund balances of \$878,543.

Governmental Fund Highlights

- The General Fund balance decreased 7% from fiscal 2007. Expenses increased due to increased emphasis on reading in the elementary, increased administrative expenses and an overall increase in fuel and supplies. The district will need to continue to monitor expenses and look for ways to keep the budget balanced.
- The Capital Projects Fund remains stable with a 21% increase in fund balance from fiscal 2007. The district continues to rely on sales tax funds to make renovations to district facilities and reduce the debt service levy. The district used \$25,000 of sales tax money to reduce the debt service levy in fiscal 2008. Principal on sales tax revenue bonds issued in 2004 was decreased by \$85,000, leaving a balance of \$680,000.
- The Debt Service Fund balance increased by 21%. Principal payments of \$160,000 were made in fiscal 2008, bringing the general obligation debt down to \$2,645,000. The escrow account continues to make payments on the bonds that were issued in 2000 and refunded in 2006.
- The PPEL Fund balance continues to grow as the district sets aside money for some major facility renovations. The total PPEL Fund balance increased 13% over fiscal 2007, including the increase in the fund balance designated for future facility work. The balance in the PPEL C.D. was \$135,875 at June 30, 2008.
- Other governmental funds include the Activity and Management Funds. The Management Fund balance decreased by 22% in fiscal 2008 and the Activity Fund balance decreased by 4%. The Management Fund should stabilize after fiscal 2009, when the early retirement policy is set to end. Changes in general insurance will dictate the levy that is needed in the future. Community members are becoming more involved in gathering donations for athletic expenses. The Activity Fund balance is adequate for the expenses of student activities.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$66,802 at June 30, 2007 to \$44,677 at June 30, 2008, representing a decrease of approximately 33%. Average daily lunch counts decreased by 5.6% and average daily breakfast counts decreased by 24% over fiscal 2007. Operating revenues decreased by 6% and non-operating

revenues decreased by 8.5% compared to fiscal 2007. Operating expenses increased by 5%. Overall, the Nutrition Fund has had a substantial decline in financial stability.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. This is referred to as the certified budget. The budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. Districts are required to certify their budget on a GAAP basis to match year-end reporting. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, Kingsley-Pierson Community School District amended its annual budget one time to include increased tuition, transportation, and maintenance costs, as well as increased food and early retirement costs.

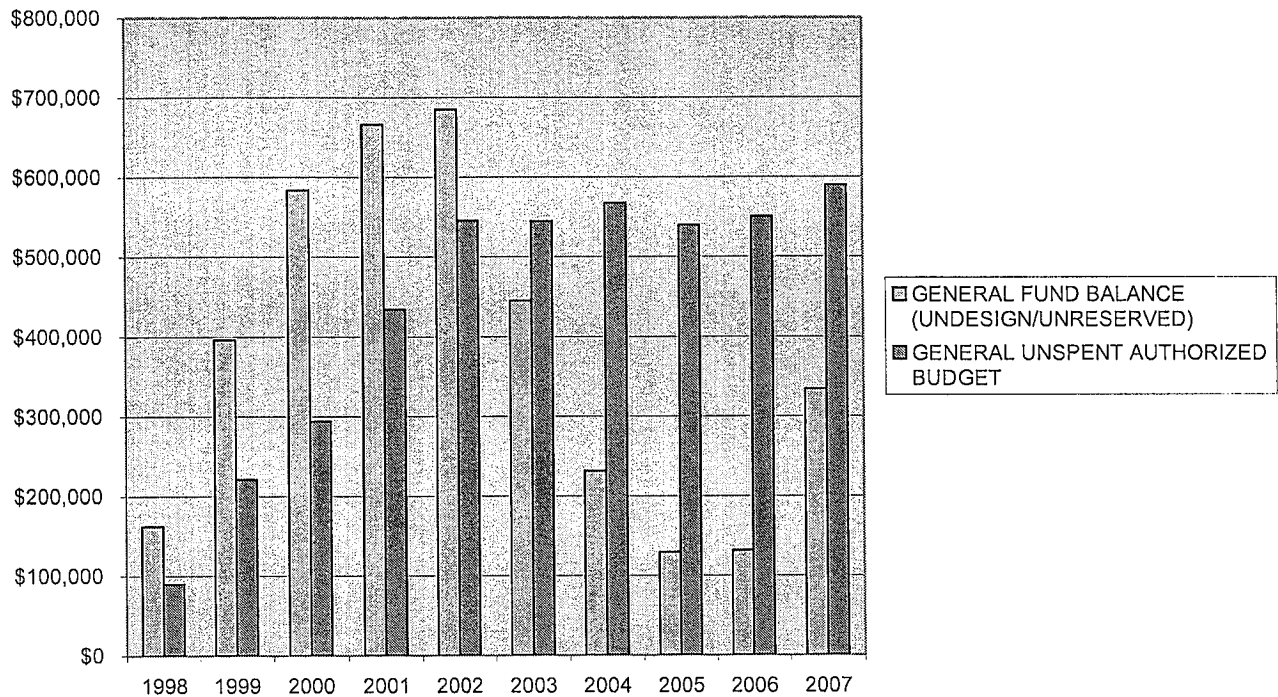
The District's receipts were \$149,076 more than budgeted receipts, a variance of 2.9%. Local receipts of tuition and sales tax can vary from year to year. State sources were more than budgeted due to new funding under teacher quality programs. When certifying the budget, the district tries to estimate revenues conservatively, and this contributes to budget variances.

Total expenditures were \$71,929 less than budgeted, a variance of 1.3%. This percentage is less than last year's percentage variance for budgeted expenditures. The variance is due again to conservative estimating. While, the certified budget provides a tool for estimating revenues and expenditures, the District manages or controls spending through its line-item budget.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The district's spending authority increased by 7% from fiscal 2007. Spending authority can be preserved by asking the School Budget Review Committee for authority to fund special education deficits, increased enrollment and increased tuition costs due to open enrollment. Figure A-6 shows the district's cash (fund balance) compared to unspent balance over the last ten years. Final unspent authorized budget from fiscal 2008 will not be available until January, 2009.

Figure A-6



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$5.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-7) Depreciation expense for the year was \$280,083.

Figure A-7
Capital Assets

	Original Cost Of Capital Assets	Prior Years' Accum. Deprec.	Current Year Deprec.	Capital Assets Less Deprec. 2008	Capital Assets Less Deprec. 2007	% CHANGE
Land & Impr.	\$ 840,607	\$ 337,096	\$ 22,766	\$ 480,745	\$ 472,298	1.79%
Buildings & Impr.	7,277,183	2,240,106	179,023	4,858,054	4,977,292	-2.40%
Vehicles & Equip.	1,162,476	644,547	78,294	439,635	468,775	-6.22%
Constr. in Progress	15,050	0	0	15,050	0	100.00%
	<u>\$ 9,295,316</u>	<u>\$ 3,221,749</u>	<u>\$ 280,083</u>	<u>\$ 5,793,484</u>	<u>\$ 5,918,365</u>	<u>-2.11%</u>

The original cost of the District's capital assets was \$9.3 million. Accumulated depreciation for prior years was calculated at \$3.2 million. Buildings and building improvements account for 84% of capital assets, before reducing for long-term debt. When computing invested in capital assets, associated long-term debt is subtracted.

Construction in progress at June 30, 2008 included \$15,050 for architectural services for a new baseball press box and patio walls/ramp project. It also included materials for a partial roof replacement. Buildings & Improvements decreased by 2.4% and Land & Improvements increased by 1.8%. Capital asset additions for fiscal 2008 included a parking lot replacement, new playground equipment, heating and cooling work, and security cameras, as well as other smaller items. The value of all assets less depreciation decreased by 2.11% from fiscal 2007.

Long-Term Debt

At June 30, 2008, the District had \$3,325,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-8) The district also has \$2,510,000 of defeased bonds. Principal and interest payments on these bonds are being paid from an escrow account until the bonds can be called in June of 2009.

Retirement of general obligation bond principal was \$160,000 for fiscal 2008. Principal payments on the sales tax revenue bonds were \$85,000 for fiscal 2008.

The District had no early retirement incentives payable on June 30, 2008. Early retirement is generally paid out of the Management fund and is funded by a tax levy. The board of education reduced benefits payable under early retirement and also set an ending date of fiscal 2009 for all early retirement benefits. The policy changes enacted in fiscal 2007 were an effort to reduce expenditures and future tax levies in the management fund.

Figure A-8
Outstanding Long-Term Obligations
(Expressed in Thousands of Dollars)

	Total District		% Change
	2008	2007	2007-2008
General obligation bonds	\$ 2,645	\$ 2,805	-5.7%
Revenue bonds	680	765	-11.1%
Early retirement	0	1	-100.0%
	<u>\$ 3,325</u>	<u>\$ 3,571</u>	<u>-6.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The district reduced 1.6 teaching positions for the 2008-2009 school year. Four other teachers that left or retired were replaced with less experienced faculty. This should result in some savings to the general fund. The savings will likely be at least partially offset by uncontrollable increases in other areas, such as fuel, supplies, etc.

- The district's enrollment decreased by 13 students or 3% for the 2009 budget year. Count day for certified enrollment is still a few weeks away, but at this point, it looks like enrollment could be down slightly again. The state has set allowable growth at 4% for 2009-2010.
- More students are taking post secondary enrollment courses, giving them high school and college credits. While this is very beneficial to students, it is causing a number of concerns for the district. The costs for tuition are increasing expenses, students are leaving without eating lunch causing a decline in lunch sales and the student to teacher ratio in some classes is low. This will likely be a continuing problem and the district may need to decide whether a minimum number of students will be needed to justify offering certain courses.
- The lunch fund will likely see another decrease in fund balance, despite a 9% increase in student lunch prices and increases in milk and adult lunch as well. It is rumored that our main food supplier will be raising prices by 10% to 20% in the near future.
- Expenses in the management fund should remain about the same as fiscal 2008. Fiscal 2010 should see a sizeable decrease in expenditures due to the termination of early retirement benefits after 2009. This is dependent upon insurance premiums staying relatively the same. With a lawsuit pending against the district and natural disasters across the state this past spring and summer, insurance premiums could increase significantly next year.
- Legislation to increase IPERS contribution rates beginning on July 1, 2007 was enacted. Combined contributions for regular IPERS members will increase one-half percentage point per year for four years. Employers will pay 60% and employees will pay 40%. The second year of increases will occur in fiscal 2009. By the end of the four-year period, the district will likely be spending an additional \$35,000 each year due to the increases.
- A state one cent sales tax has been enacted for school infrastructure to replace individual county local option taxes. The amount that Kingsley-Pierson gets should remain about the same, but there is some speculation that legislators could divert funds down the road for other purposes. The district may want to consider bonding against the revenues to get some major projects done.
- As resources are dwindling and expenses continue to increase, districts are exploring more sharing opportunities. Program sharing for high school vocational areas could provide some additional revenue to the district. Travel time and expense and scheduling conflicts among schools are potential roadblocks. The state has put some incentives for sharing of administrative and other support services in place. At this point, the district is not aware of any opportunities for sharing of support services that would decrease expenses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Audrey Bollin, District Secretary/Treasurer and Business Manager, Kingsley-Pierson Community School District, 322 Quest Ave, Kingsley, Iowa, 51028.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 1,122,125	\$ 13,077	\$ 1,135,202
Investments	141,679		141,679
Receivables:			
Property Tax	36,274		36,274
Succeeding Year Property Tax	1,938,786		1,938,786
Due from Other Governmental Agencies	158,896		158,896
Other	2,216	24	2,240
Inventories		12,699	12,699
Prepaid Expenses	38,645		38,645
Restricted ISCAP Assets:			
Investments	240,948		240,948
Accrued Interest Receivable	91		91
Unamortized Bond Issuance Costs	43,008		43,008
Land	72,035		72,035
Construction in Progress	15,050		15,050
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	5,687,512	18,887	5,706,399
Total Assets	9,497,265	44,687	9,541,952
LIABILITIES			
Payables:			
Accounts Payable	164,812	10	164,822
Other Payables	1,257		1,257
Deferred Revenue:			
Succeeding Year Property Tax	1,938,786		1,938,786
Accrued Wages and Benefits	418,499		418,499
Accrued Interest Payable	22,882		22,882
ISCAP Liabilities:			
Warrants Payable	239,000		239,000
Unamortized Premium	4,099		4,099
Accrued Interest Payable	92		92
Unamortized Bond Issuance Premium	28,777		28,777
Long-Term Liabilities:			
Portion Due Within One Year:			
General Obligation Bonds Payable	165,000		165,000
Revenue Bonds Payable	85,000		85,000
Portion Due After One Year:			
General Obligation Bonds Payable	2,480,000		2,480,000
Revenue Bonds Payable	595,000		595,000
Total Liabilities	6,143,204	10	6,143,214
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,449,597	18,887	2,468,484
Restricted for:			
Debt Service	14,337		14,337
Management Levy	40,012		40,012
Physical Plant and Equipment Levy	176,594		176,594
Other Special Revenue Purposes	44,782		44,782
Unrestricted	628,739	25,790	654,529
Total Net Assets	\$ 3,354,061	\$ 44,677	\$ 3,398,738

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Services</u>
Governmental Activities:		
Instruction:		
Regular	\$ 2,287,070	\$ 248,427
Special Programs	382,244	49,435
Vocational	233,907	
Co-curricular	215,923	119,023
Support Services:		
Student Support	94,466	
Instructional Staff Support	93,469	
General Administration	423,574	
Building Administration	255,387	
Business Administration	73,314	
Operations and Maintenance	380,378	
Student Transportation	235,191	6,485
Facilities Acquisition and Construction Services	30,034	
Debt Service:		
Services	1,786	
Interest	146,158	
Intergovernmental:		
AEA Flowthrough	160,437	
Total governmental activities	5,013,338	423,370
Business Type Activity		
School Nutrition Fund	220,549	118,404
Total School District	\$ 5,233,887	\$ 541,774
General Revenues:		
Property taxes		
Other taxes		
Interest on Investments		
State aid not restricted to specific programs		
Miscellaneous		
Total general revenues		
Change in net assets		
Net assets - beginning		
Net assets - ending		

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activity	Total
\$ 367,914		\$ (1,670,729)		\$ (1,670,729)
38,492		(294,317)		(294,317)
22,263		(211,644)		(211,644)
3,199		(93,701)		(93,701)
		(94,466)		(94,466)
35,704		(57,765)		(57,765)
		(423,574)		(423,574)
1,500		(253,887)		(253,887)
		(73,314)		(73,314)
		(380,378)		(380,378)
2,150		(226,556)		(226,556)
		(30,034)		(30,034)
		(1,786)		(1,786)
		(146,158)		(146,158)
160,437		-		-
631,659	-	(3,958,309)		(3,958,309)
79,380			\$ (22,765)	(22,765)
\$ 711,039	\$ -	(3,958,309)	(22,765)	(3,981,074)
		1,890,527		1,890,527
		352,724		352,724
		34,677	640	35,317
		1,788,618		1,788,618
		50,519		50,519
		4,117,065	640	4,117,705
		158,756	(22,125)	136,631
		3,195,305	66,802	3,262,107
		\$ 3,354,061	\$ 44,677	\$ 3,398,738

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
June 30, 2008

	General	Capital Projects
Assets		
Cash and Pooled Investments	\$ 696,853	\$ 270,102
Investments		
Receivables:		
Property Tax	29,068	
Future Property Tax	1,574,132	
Due from Other Funds		
Due from Other Governmental Agencies	108,836	50,060
Other		
Prepaid Expenses	38,645	
Restricted ISCAP Assets:		
Investments	240,948	
Accrued Interest Receivable	91	
Total Assets	<u>2,688,573</u>	<u>320,162</u>
Liabilities		
Payables:		
Accounts Payable	94,149	39,967
Other Payables	1,257	
Due to Other Funds	150	
Deferred Revenue:		
Succeeding Year Property Tax	1,574,132	
Accrued Wages	418,499	
ISCAP Liabilities:		
Warrants Payable	239,000	
Unamortized Premium	4,099	
Accrued Interest Payable	92	
Total Liabilities	<u>2,331,378</u>	<u>39,967</u>
Equity		
Fund Balances:		
Reserved for Debt Service		
Reserved for Prepaid Expenses	38,645	
Unreserved for:		
Designated, Special Revenue Fund		
Undesignated		
General Fund	318,550	
Special Revenue		
Capital Projects		280,195
Total Fund Balances	<u>357,195</u>	<u>280,195</u>
Total Liabilities and Equity	<u>\$ 2,688,573</u>	<u>\$ 320,162</u>

Amounts reported for Governmental Funds for infrastructure, property, and equipment are not financial resources. Deferred revenues and accrued interest payable are current financial resources. Unamortized bond premiums and long-term liabilities net of deferred revenues are not financial resources.

See Accompanying Notes to Financial Statements

Debt Service	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
\$ 9,560	\$ 66,116	\$ 79,494	\$ 1,122,125
	135,875	5,804	141,679
4,777	406	2,023	36,274
227,318	27,336	110,000	1,938,786
		150	150
		2,216	158,896
			2,216
			38,645
			240,948
			91
241,655	229,733	199,687	3,679,810
	25,803	4,893	164,812
			1,257
			150
227,318	27,336	110,000	1,938,786
			418,499
			239,000
			4,099
			92
227,318	53,139	114,893	2,766,695
14,337			14,337
			38,645
	135,875		135,875
			318,550
	40,719	84,794	125,513
			280,195
14,337	176,594	84,794	913,115
\$ 241,655	\$ 229,733	\$ 199,687	

Governmental Activities in the Statement of Net Assets are different because:

land and equipment used in governmental activities	
resources and, therefore, are not reported in the funds	5,774,597
accrued expenses from the balance sheet that provide	
resources for governmental activities	
payable not reported on the modified accrual basis	(22,882)
issuance premiums not reported on modified accrual basis	(28,777)
issuance costs not reported on modified accrual basis	43,008
of debt service that are not reported in the funds	(3,325,000)
Governmental Activities	<u>\$ 3,354,061</u>

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2008

	General
Revenue:	
Local Sources	\$ 1,862,193
State Appropriations	2,285,183
Federal Appropriations	132,905
Total Revenue	<u>4,280,281</u>
Expenditures:	
Governmental Activities:	
Instruction:	
Regular	2,200,291
Special Programs	382,244
Vocational	232,660
Co-curricular	84,668
Support Services:	
Student Support	92,829
Instructional Staff Support	90,311
General Administration	199,444
Building Administration	253,928
Business Administration	72,970
Operations and Maintenance	350,163
Student Transportation	185,572
Facilities Acquisition and Construction Services	
Debt Service:	
Services	
Principal	
Interest	
Intergovernmental:	
AEA Flowthrough	160,437
Total Expenditures	<u>4,305,517</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,236)</u>
Other Financing Sources (Uses):	
Operating Transfers In	
Operating Transfers Out	
Total Other Financing Sources (Uses)	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(25,236)
Fund Balances-Beginning of Year	382,431
Fund Balances-End of Year	<u>\$ 357,195</u>

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Physical Plant and Equipment Levy	Other Governmental Funds	Total Governmental Funds
\$ 307,628	\$ 256,642 169	\$ 88,690 14	\$ 238,600 70	\$ 2,753,753 2,285,436 132,905
307,628	256,811	88,704	238,670	5,172,094
			73,972	2,274,263 382,244 232,660
			125,052	209,720
			1,637	94,466
		1,129	2,029	93,469
			9,576	209,020
			1,459	255,387
678		4,791	344	78,783
			26,672	376,835
			10,690	196,262
118,387		62,058		180,445
	600			600
	245,000			245,000
	147,931			147,931
				160,437
119,065	393,531	67,978	251,431	5,137,522
188,563	(136,720)	20,726	(12,761)	34,572
	139,213			139,213
(139,213)				(139,213)
(139,213)	139,213	-	-	-
49,350	2,493	20,726	(12,761)	34,572
230,845	11,844	155,868	97,555	878,543
\$ 280,195	\$ 14,337	\$ 176,594	\$ 84,794	\$ 913,115

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$	34,572
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	155,202	
Depreciation expense	(277,128)	(121,926)

Accrued Expenses and Revenues not reported on modified accrual basis:

Interest on long-term debt	1,773	
Accrued early retirement	523	
Unamortized bond premium	2,398	
Unamortized bond costs	(3,584)	

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:

245,000

Change in net assets of governmental activities (page 18)	\$	158,756
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KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Proprietary Fund
June 30, 2008

	School Nutrition Fund
ASSETS	
Cash and Pooled Investments	\$ 13,077
Receivables:	
Other	24
Inventories	12,699
Property and Equipment, Net of Accumulated Depreciation	<u>18,887</u>
Total Assets	<u>44,687</u>
LIABILITIES	
Payables:	
Accounts Payable	<u>10</u>
Total Liabilities	<u>10</u>
NET ASSETS	
Invested in Capital Assets	18,887
Unrestricted	<u>25,790</u>
Total Equity	<u><u>\$ 44,677</u></u>

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	School Nutrition Fund
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 99,466
Adults	11,373
A la carte	6,611
Miscellaneous	954
	<u>118,404</u>
Total Operating Revenue	<u>118,404</u>
Operating Expenditures:	
Food Service Operations:	
Salaries	73,950
Benefits	14,922
Services	1,557
Supplies	127,165
Depreciation	2,955
	<u>220,549</u>
Total Operating Expenses	<u>220,549</u>
Operating (Loss)	<u>(102,145)</u>
Non-Operating Revenues :	
Interest Income	640
State Lunch and Breakfast Program Claims	2,788
National School Lunch Program	60,083
Food Distribution	16,509
	<u>80,020</u>
Total Non-Operating Revenues	<u>80,020</u>
Change in net assets	(22,125)
Net Assets-beginning	<u>66,802</u>
Net Assets-ending	<u>\$ 44,677</u>

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Proprietary Fund
For the Year Ended June 30, 2008

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfast	\$ 117,426
Cash received from miscellaneous operating activities	954
Cash payments to employees for services	(88,872)
Cash payments to suppliers for goods and services	(112,317)
Net cash (used) by operating activities	<u>(82,809)</u>
Cash flows from noncapital financing activities:	
Due to other Funds	(811)
State grants received	2,788
Federal grants received	60,083
Net cash provided by noncapital financing activities	<u>62,060</u>
Cash flows from investing activities:	
Interest on investments	640
Net (decrease) in cash and cash equivalents	(20,109)
Cash and pooled investments - beginning of year	33,186
Cash and pooled investments - end of year	<u>13,077</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(102,145)
Depreciation	2,955
Commodities Used	16,509
Change in assets and liabilities:	
(Increase) in Other Receivables	(24)
Decrease in Inventory	46
(Decrease) in Accounts Payable	(150)
Net cash (used) by operating activities	<u>\$ (82,809)</u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u>\$ 16,509</u>

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Fund
For the Year Ended June 30, 2008

	<u>Flexible Spending Fund</u>
ASSETS	
Cash and Pooled Investments	<u>\$ 6,755</u>
LIABILITIES	
Other Payables	<u>\$ 6,755</u>

See Accompanying Notes to Financial Statements

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies

The Kingsley-Pierson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served include the cities of Kingsley and Pierson, Iowa, and the predominant agricultural territory in Plymouth County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Kingsley-Pierson Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Kingsley-Pierson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of joint ventures since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of both the Plymouth and Woodbury County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The following are the District's governmental funds:

General Fund – The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs. This is a major fund.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trusts, or for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purposes are as follows:

Management Fund – Accounts for a levy of eighty-seven cents per thousand dollars of assessed valuation in the district for insurance premiums, unemployment compensation insurance claims, and early retirement.

Physical Plant and Equipment Levy – Accounts for a voted property tax levy of twenty-six cents per thousand dollars of assessed valuation in the district, plus a three percent surtax. The levy is to be used in the purchasing of equipment and repairing and improving schoolhouse buildings and grounds. This is a major fund.

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

Debt Service Fund – The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. This is a major fund.

Capital Projects Fund – The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through proprietary funds. This is a major fund.

The following is the District's proprietary fund:

School Nutrition Fund – The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Flexible Spending Fund – The Flexible Spending Fund is used to account for assets held by the District as an agent for individuals. The Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2008 included certificates of deposits of \$141,679 with original maturity dates longer than three months.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District's capitalization policy is \$3,000. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	25 - 50 years
Machinery and equipment	5 - 10 years

During the year ended June 30, 2008, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary fund type capital assets are accounted for at historical costs or estimated historical costs where historical cost is not available. Donated capital assets are recorded at estimated fair market value as of the date of donation.

The Proprietary Fund uses a \$500 capitalization policy. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful life for machinery and equipment is 10 years.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Accrued Payroll and Related Expenditures – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Designated Fund Balance – The District has designated a portion of its fund balance for cash flow as well as providing for a potential emergency.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

Note 2 – Deposits and Investments

The District's deposits at June 30, 2008 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had deposits with financial institutions with a carrying amount of \$1,283,636 and a bank balance of \$1,339,767.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 3 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$160,437 for the year ended June 30, 2008, and is recorded in the General Fund.

Note 4 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Activity	General	\$ 150

The General Fund is repaying the Activity Fund for General Fund disbursements that were paid by the Activity Fund instead of the General Fund. This balance will be repaid by June 30, 2009.

Note 5 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Capital Projects	Debt Service	\$ 139,213

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 6 – Capital Assets

Capital Asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 72,035			\$ 72,035
Construction in Progress	-	\$ 15,050		15,050
Total capital assets not being depreciated	72,035	15,050	-	87,085
Capital assets being depreciated:				
Buildings	7,217,398	59,785		7,277,183
Improvements Other than Buildings	737,359	31,213		768,572
Furniture and Equipment	1,059,857	49,154	\$ 7,536	1,101,475
Total capital assets being depreciated	9,014,614	140,152	7,536	9,147,230
Less accumulated depreciation for:				
Buildings	2,240,106	179,023		2,419,129
Improvements Other than Buildings	337,096	22,766		359,862
Furniture and Equipment	612,924	75,339	7,536	680,727
Total accumulated depreciation	3,190,126	277,128	7,536	3,459,718
Total capital assets being depreciated, net	5,824,488	(136,976)	-	5,687,512
Governmental activities capital assets, net	\$ 5,896,523	\$ (121,926)	\$ -	\$ 5,774,597
	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-Type Activities:				
Furniture and Equipment	\$ 61,001			\$ 61,001
Less accumulated depreciation	39,159	\$ 2,955		42,114
Business-type activities capital assets, net	\$ 21,842	\$ 2,955	\$ -	\$ 18,887

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Regular Instruction	\$ 13,330
Vocational Instruction	1,247
Co-Curricular Instruction	6,203
General Administration/Multi-Functional	214,554
Operations and Maintenance	2,865
Transportation	38,929
Total depreciation expense – governmental activities	<u>\$ 277,128</u>
Business-Type Activities:	
Food Service Operations	<u>\$ 2,955</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 7 – Retirement System

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$168,395, \$150,037, and \$147,748, respectively, equal to the required contributions for each year.

Note 8 – Long-Term Debt

A summary of changes in long-term debt of the year ended June 30, 2008 is as follows:

	General Obligation Bonds	Early Retirement	Local Option Sales Tax Bonds	Total
Balance beginning of year	\$ 2,805,000	\$ 872	\$ 765,000	\$ 3,570,872
Additions	-	86,535	-	86,535
Deletions	(160,000)	(87,407)	(85,000)	(332,407)
Balance end of year	<u>\$ 2,645,000</u>	<u>\$ -</u>	<u>\$ 680,000</u>	<u>\$ 3,325,000</u>

Early Retirement

The District adopted a new early retirement policy effective for fiscal years June 30, 2003, and thereafter. Eligible employees must be at least age fifty-nine at retirement. Employees must have completed ten years of continuous service to the District and is actively employed during the last fiscal year prior to early retirement. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the applicant's current salary at time of retirement.

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2008 totaled \$87,407. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the government-wide financial statements representing the District's commitment to fund non-current early retirement. As of June 30, 2008, all early retirement obligations had been paid in full.

Bonded Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. Payments on these bonds will be made from the irrevocable trust account through June 2009, at which point the balance in the trust account will be used to pay the remaining principal on the bonds in full. In the case that the trust account is insufficient to cover the obligation at that time, the District will be responsible for the balance. At June 30, 2008, \$2,510,000 of bonds outstanding are considered defeased.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 8 – Long-Term Debt (Continued)

The current general obligation bond issue requires semi-annual payments every December and June through June 2020. Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2009	\$ 165,000	\$ 111,918	\$ 276,918
2010	175,000	104,905	279,905
2011	185,000	96,155	281,155
2012	195,000	88,293	283,293
2013	205,000	80,005	285,005
2014-2018	1,170,000	261,875	1,431,875
2019-2020	550,000	34,310	584,310
Totals	\$ 2,645,000	\$ 777,461	\$ 3,422,461

Local Option Sales Tax Bonds

In July 2004, the District completed a local option sales tax revenue bond issue for \$890,000. It requires semi-annual payments every January and July through July 2014, and the average interest rate over the life of the issue is 4.07%. The bond proceeds were intended for school infrastructure improvements, and future local option sales tax proceeds will be used to make payments on the issue.

Details of the District's June 30, 2008 local option sales tax bonded indebtedness are as follows:

Ending June 30	Principal	Interest	Total
2009	\$ 85,000	\$ 26,620	\$ 111,620
2010	90,000	23,618	113,618
2011	95,000	20,075	115,075
2012	95,000	16,180	111,180
2013	100,000	11,985	111,985
2014-2015	215,000	9,953	224,953
Totals	\$ 680,000	\$ 108,431	\$ 788,431

Note 9 – Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A. is the trustee for the program. The accounts are reflected as restricted assets on the balance sheet.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 9 – Iowa Schools Cash Anticipation Program (ISCAP) (Continued)

A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-2009A	6/30/08	6/25/09	<u>\$ 240,948</u>	<u>\$ 91</u>	<u>\$ 239,000</u>	<u>\$ 92</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End Of Year
2007-08A	\$ -	\$ -	\$ -	\$ -
2007-08B	-	-	-	-
2008-09A	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The 2008-2009A Series warrants has an interest rate of 3.500%, and available proceeds of the warrants are invested at a rate of 3.469%.

Note 10 – Operating Leases

In August 2007, the District committed to a new non-cancelable operating lease for three copiers. The minimum monthly payment under the new lease is \$1,097. Future minimum operating lease commitments are as follows:

Year Ending June 30,	PPEL Fund
2009	\$ 13,164
2010	13,164
2011	<u>2,194</u>
Total	<u>\$ 28,522</u>

Rent expenditures were \$12,165 for the year ended June 30, 2008.

Note 11 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2008 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

Note 12 – Designated Fund Equity

Designations of equity are used to show the amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted. Designated equity of \$135,875 in the Physical Plant and Equipment Levy Fund is intended for future roofing needs of the Kingsley Building.

Note 13 – Construction Commitments

The District has entered into several contracts totaling \$85,969 for various small renovation projects. As of June 30, 2008, costs of \$15,050 had been incurred against the contracts. The balance of \$70,919 remaining at June 30, 2008 will be paid as work on the projects progresses.

Note 14 – Litigation

The District is a defendant in a lawsuit, filed by a former student that alleges a former teacher and coach inflicted emotional distress upon her. The suit claims that the District was negligent in its supervision of the former teacher, and the plaintiff seeks an award of actual and punitive damages plus legal costs. As of June 30, 2008 the discovery phase had fully commenced, and a jury trial is set for January 13, 2009. The District has denied the plaintiff's allegations and pursues a vigorous defense. Per the District's counsel, a verdict in favor of the District is more likely than a verdict in favor of the plaintiff. If the plaintiff prevails, the award will certainly be material.

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REQUIRED SUPPLEMENTAL INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances-
Budget and Actual (GAAP Basis)-
Governmental Funds and Proprietary Fund
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Original Budget	Final Budget	Variance with budget Favorable (Unfavorable)
Revenues:						
Local Sources	\$ 2,753,753	\$ 119,044	\$ 2,872,797	\$ 2,829,308	\$ 2,829,308	\$ 43,489
State Sources	2,285,436	2,788	2,288,224	2,193,874	2,193,874	94,350
Federal Sources	132,905	76,592	209,497	198,260	198,260	11,237
Total Revenues	5,172,094	198,424	5,370,518	5,221,442	5,221,442	149,076
Expenditures:						
Instruction	3,098,887	-	3,098,887	3,033,889	3,100,000	1,113
Support Services	1,304,222	-	1,304,222	1,284,538	1,320,000	15,778
Non-Instructional Programs	-	220,549	220,549	197,972	235,000	14,451
Other Expenditures	734,413	-	734,413	763,844	775,000	40,587
Total Expenditures	5,137,522	220,549	5,358,071	5,280,243	5,430,000	\$ 71,929
 Excess (Deficiency) of Revenues Over Expenditures	 34,572	 (22,125)	 12,447	 (58,801)	 (208,558)	
 Fund Balance/Retained Earnings Beginning of Year	 878,543	 66,802	 945,345	 803,907	 803,907	
 Fund Balance/Retained Earnings End of Year	 \$ 913,115	 \$ 44,677	 \$ 957,792	 \$ 745,106	 \$ 595,349	

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$149,757.

SUPPLEMENTAL INFORMATION

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2008

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,508,691
Mobile Home Tax	836
	<u>1,509,527</u>

Other Local Sources:

Interest on Investments	17,606
Tuition from Other Districts	263,529
Miscellaneous	71,531
	<u>352,666</u>
	<u>1,862,193</u>

State Sources:

Foundation Aid-District's Share	1,788,618
Instructional Support State Aid	29,569
Educational Excellence Program:	
Phase I	45,610
Phase II	39,314
Vocational Education Aid	18,038
Revenue in Lieu of Taxes - Military Credit	1,010
Iowa Early Intervention Block Grant	34,284
AEA Flow-Through	160,437
Other State Aid	168,303
	<u>2,285,183</u>

Federal Sources:

Title I Grants to Local Educational Agencies	41,513
Teacher Quality Program	20,541
Innovative Education Program Strategies (Title VI Program)	3,577
Vocational Education - Basic Grants to States	4,225
Other	63,049
	<u>132,905</u>
Total Revenue	<u>4,280,281</u>

Expenditures:

Instruction:

Regular Program Instruction:

Salaries	1,559,465
Employee Benefits	426,667
Contractual Services	128,800
General Supplies	59,741
Equipment	4,962
Other	20,656
	<u>2,200,291</u>
	Continued

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2008

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Program Instruction:

Salaries	196,232
Employee Benefits	54,451
Contractual Services	129,784
General Supplies	1,691
Other	86
	<u>382,244</u>

Vocational Program Instruction:

Salaries	170,514
Employee Benefits	47,069
General Supplies	8,960
Equipment	4,969
Other	1,148
	<u>232,660</u>

Co-curricular Program Instruction and Sports:

Salaries	74,681
Employee Benefits	9,987
	<u>84,668</u>

Total Instruction

2,899,863

Support Services:

Student Support Services:

Salaries	63,075
Employee Benefits	21,126
Contractual Services	5,370
General Supplies	2,784
Other	474
	<u>92,829</u>

Instructional Staff Support Services:

Salaries	37,527
Employee Benefits	6,633
Contractual Services	20,919
General Supplies	6,206
Equipment	15,411
Other	3,615
	<u>90,311</u>

General Administration:

Salaries	129,820
Employee Benefits	34,197
Contractual Services	23,403
General Supplies	2,293
Other	9,731
	<u>199,444</u>

Continued

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2008

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Building Administration:

Salaries	180,008
Employee Benefits	58,580
Contractual Services	4,251
Other	11,089
	<u>253,928</u>

Business Administration:

Salaries	42,460
Employee Benefits	10,641
ISCAP Interest and Issuance Costs	2,243
Contractual Services	12,808
General Supplies	535
Other	4,283
	<u>72,970</u>

Operation and Maintenance Services:

Salaries	126,862
Employee Benefits	36,350
Contractual Services	128,616
General Supplies	57,907
Other	428
	<u>350,163</u>

Student Transportation:

Salaries	87,547
Employee Benefits	12,798
Purchased Services	20,720
General Supplies	62,883
Other	1,624
	<u>185,572</u>

Total Support Services

1,245,217

Other Expenditures:

AEA Flow-Through	<u>160,437</u>
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Total Expenditures

4,305,517

(Deficiency) of Revenues Over Expenditures

(25,236)

Balance Beginning of Year

382,431

Balance End of Year

\$ 357,195

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Special Revenue Funds
June 30, 2008

Schedule 2

	Management Levy	Student Activity	Total
Assets			
Cash and Pooled Investments	\$ 37,989	\$ 41,505	\$ 79,494
Investments		5,804	5,804
Receivables:			
Property Tax - Current Year	2,023		2,023
Property Tax - Succeeding Year	110,000		110,000
Due from Other Funds		150	150
Other		2,216	2,216
Total Assets	<u>150,012</u>	<u>49,675</u>	<u>199,687</u>
Liabilities			
Payables:			
Accounts Payable		4,893	4,893
Deferred Revenue - Succeeding Year Property Tax	110,000		110,000
Total Liabilities	<u>110,000</u>	<u>4,893</u>	<u>114,893</u>
Fund Balances:			
Unreserved, undesignated fund balance	40,012	44,782	84,794
Total Fund Balances	<u>40,012</u>	<u>44,782</u>	<u>84,794</u>
Total Liabilities and Equity	<u>\$ 150,012</u>	<u>\$ 49,675</u>	<u>\$ 199,687</u>

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Special Revenue Funds
For the Year Ended June 30, 2008

Schedule 3

	Management Levy	Student Activity	Total
Revenue:			
Local Sources:			
Property Taxes	\$ 104,999		\$ 104,999
Mobile Home Taxes	58		58
Other Local Sources:			
Interest on Investments	1,186	\$ 1,245	2,431
Student Activities		118,942	118,942
Contributions and Donations from Private Sources		3,199	3,199
Refunds of Prior Year Expenditures	8,971		8,971
State Sources:			
Revenue in Lieu of Taxes - Military Credit	70		70
Total Revenue	115,284	123,386	238,670
Expenditures:			
Instruction:			
Regular	73,972		73,972
Co-curricular		125,052	125,052
Support Services:			
Student Support Services	1,637		1,637
Instructional Staff Support Services	2,029		2,029
General Administration	9,576		9,576
Building Administration	1,459		1,459
Business Administration	344		344
Operations and Maintenance	26,672		26,672
Student Transportation	10,690		10,690
Total Expenditures	126,379	125,052	251,431
(Deficiency) of Revenues Over Expenditures	(11,095)	(1,666)	(12,761)
Fund Balances - Beginning of Year	51,107	46,448	97,555
Fund Balances - End of Year	\$ 40,012	\$ 44,782	\$ 84,794

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2008

					Schedule 4
	Balance June 30, 2007	Revenues	Expenditures	Interfund Transfers	Balance June 30, 2008
Kingsley Accounts					
Athletics	\$ 17,127	\$ 40,682	\$ 39,567	\$ 500	\$ 18,742
Children's Theater	308	-	-	-	308
Christian Athletes	51	154	97	-	108
Dance Team	486	7,269	7,433	205	527
F.F.A.	3,100	16,726	16,486	-	3,340
General Fund	5,538	266	-	-	5,804
Homemaking Fund	353	411	652	-	112
National Honor Society	137	2,936	2,419	-	654
Student Insurance	-	70	70	-	-
Music Fund	367	7,702	7,073	-	996
Musical	741	2,150	1,578	-	1,313
PEP	-	3,082	4,863	619	(1,162)
Speech/Drama	1,239	183	184	-	1,238
Student Council	3,107	5,840	7,362	-	1,585
Class of 2007	2,484	820	1,875	(1,356)	73
Class of 2008	3,964	7,285	7,411	-	3,838
Class of 2009	967	14,845	12,587	-	3,225
Class of 2010	200	2,312	1,425	-	1,087
Class of 2011	-	-	32	32	-
	40,169	112,733	111,114	-	41,788
Pierson Accounts:					
Athletics	6,279	10,653	13,938	-	2,994
Total for Activity Funds	\$ 46,448	\$ 123,386	\$ 125,052	\$ -	\$ 44,782

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Combining Statement of Changes in Net Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2008

				Schedule 5	
		Balance			Balance
		July 1, 2007	Additions	Deductions	June 30, 2008
<u>FLEX</u>					
<u>Assets</u>					
Cash and Pooled Investments	\$	7,345	\$ 34,750	\$ 35,340	\$ 6,755
Total Assets		7,345	34,750	35,340	6,755
<u>Liabilities</u>					
Other Payables		7,345	34,750	35,340	6,755
Total Liabilities	\$	7,345	\$ 34,750	\$ 35,340	\$ 6,755

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues and Expenditures by Function
For the Years Ended June 30, 2008, 2007, 2006, 2005

Schedule 6

	Modified Accrual Basis of Accounting			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local Tax	\$ 2,241,987	\$ 2,249,761	\$ 2,050,310	\$ 1,991,126
Tuition	263,529	235,469	257,125	237,750
Other	248,237	291,135	279,464	262,752
State Sources	2,285,436	2,086,084	2,104,132	1,998,425
Federal Sources	132,905	133,997	141,077	138,453
Total	<u>\$ 5,172,094</u>	<u>\$ 4,996,446</u>	<u>\$ 4,832,108</u>	<u>\$ 4,628,506</u>
Expenditures:				
Instruction:				
Regular	2,274,263	2,016,624	1,942,697	1,897,287
Special	382,244	362,937	377,381	386,640
Other	442,380	447,979	470,812	524,329
Support Services:				
Student	94,466	98,343	86,916	82,506
Instructional Staff	93,469	81,033	128,999	87,304
Administration	543,190	495,051	481,363	481,427
Operation and Maintenance of Plant	376,835	362,318	339,093	311,475
Transportation	196,262	234,601	190,286	232,418
Other Expenditures:				
Facilities Acquisition	180,445	183,782	196,251	650,670
Long-Term Debt:				
Principal	245,000	150,000	180,000	120,000
Interest and Other Charges	148,531	163,572	320,837	176,346
AEA Flowthrough	160,437	149,896	143,436	138,143
Total	<u>\$ 5,137,522</u>	<u>\$ 4,746,136</u>	<u>\$ 4,858,071</u>	<u>\$ 5,088,545</u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Kingsley-Pierson Community School District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Kingsley-Pierson Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Kingsley-Pierson Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kingsley-Pierson Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Kingsley-Pierson Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Kingsley-Pierson Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Kingsley-Pierson Community School District's financial

statements that is more than inconsequential will not be prevented or detected by Kingsley-Pierson Community School District's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Kingsley-Pierson Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe II-A-08 and II-B-08 are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Kingsley-Pierson Community School District and other parties to whom the Kingsley-Pierson Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Kingsley-Pierson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Sioux City, Iowa
October 30, 2008

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) See below for the status of prior audit findings.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None.

STATUS OF PRIOR AUDIT FINDINGS:

II-A-07 Financial Accounting – Segregation of Duties

Condition – This finding was a material weakness stating that the District does not have an adequate segregation of duties in its accounting functions.

Recommendation – The auditor recommended that, in lieu of hiring additional staff, management should address this weakness by continually monitoring the fiscal officer's duties.

Current Status – The District did not correct this weakness, and it is renumbered below as II-A-08.

II-B-07 Financial Accounting – Recording Errors

Condition – This finding was a material weakness stating that the prior year's audit uncovered numerous material reporting errors that were corrected on the final annual financial report.

Recommendation – The auditor recommended that future financial reports are prepared completely and accurately in accordance with U.S. generally accepted accounting principles.

Current Status – The District did not correct this weakness, and it is renumbered below as II-B-08.

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

SIGNIFICANT DEFICIENCIES:

II-A-08 Financial Accounting – Segregation of Duties

Observation – The District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The District has implemented management review procedures which we feel aid in improving the internal controls of the District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-08 Financial Accounting – Recording Errors

Observation – Errors were noted on Kingsley-Pierson Community School District's annual financial report. Our audit of Kingsley-Pierson Community School District's annual financial report disclosed numerous material reporting errors for the year ended June 30, 2008. These reporting errors result in a diminished reliability of accounting data being supplied to the users of the unaudited financial statements. We identified the material reporting errors discussed above and therefore, these matters do not affect our independent auditor's report on the financial statements contained in this audit report.

Recommendation – We recommend future financial reports are prepared completely and accurately in accordance with U.S. generally accepted accounting principles.

Response – The District will monitor its financial reporting process more closely in the future in order to make its annual financial report as accurate as possible.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

- | | |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| III-A-08 | <u>Certified Budget</u> – Disbursements for the year ended June 30, 2008 did not exceed amounts budgeted. |
| III-B-08 | <u>Questionable Disbursements</u> – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. |

KINGSLEY-PIERSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

III-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-08 Business Transactions – Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bohle Construction Owned by mother of Board Member Scott Bohle	Snow removal and various minor construction work	\$7,303

This transaction may represent a conflict of interest. The District should contact legal council for determination.

III-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

III-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

III-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

III-I-08 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.